

STATEMENT OF PURPOSE

RS18826C1

This legislation provides for the state treasurer to accept Idaho manufactured silver medallions and bars for the payment of fees and taxes. In doing so, the state treasurer will sell these silver medallions and bars to the public at their market value tied to the daily market price of the U.S. Mint's one troy , bullion style, silver American Eagle. This silver American Eagle will also be accepted by the Treasurer for the payment of fees and taxes. The medallion and bars will be designed by the medallion committee of legislators already referenced in Idaho Code at 67-1223(3). Treasurer will have authority to hedge the State's silver position if, in the Treasurer's discretion, hedging is necessary to protect the State's silver position. The Treasurer will also be able to suspend the wholesale purchase and manufacturer of silver medallions and bars if market circumstances make further wholesale purchases unprofitable. The initial funds to begin this program may come from pre-sales of medallions and bars, from grants or from the general fund.

The Silver Valley, located in the Kellogg and Wallace area of Shoshone County, is known as the "Silver Capitol of the World". Since 1885, one billion ounces of silver have been removed from mines in the valley.

Currently none of the silver ore produced by Idaho silver mines is processed in Idaho nor in the United States. All of the silver ore produced in Idaho is sent out of the country to Canada, Belgium, Finland, Mexico, China and Korea. The building of a silver production facility in Idaho will allow Idaho silver mines to cut their costs of production and continue to produce should there be a decline in the price of silver. This legislation provides a 20 year real and personal property tax exemption to anyone or any firm who builds a new silver production facility in Idaho. A 10 year exemption from corporate income taxes is also offered by this legislation to any corporation that might build such a new facility. Both tax exemptions apply only a new silver production facility and not to other facilities that may be owned any firm claiming the exemption.

The creation of a new silver production facility can be expected to create 400 to 800 new jobs in Idaho among the mines and at the new silver production facility. According to the Department of Commerce, for every 100 new mining jobs created, Shoshone and Kootenai Counties can expect the creation of additional 132 jobs. Currently with an extremely strong demand for silver, the Sunshine Mint, located in Coeur d'Alene, is one of the fastest growing companies in Idaho.

The creation of a silver production facility in Idaho will allow Idaho's silver ore to be processed in Idaho and bring back to Idaho the jobs that have been exported overseas. A new silver production facility should create 40 to 50 new jobs. Ten to twenty jobs can be expected to be created in the minting and distribution of the medallions and bars. The additional revenue to the government of the state of Idaho from this additional economic activity is expected to be \$1,000,000 to the general fund for every 100 new mining jobs (includes the additional 132 support jobs). The 400 to 800 new mining jobs, along with that additional 528 to 1056 support jobs (928 to 1856 total jobs) can be expected to bring \$5 million to \$10 million into the State's general fund.

As a result of the Superfund Cleanup activity in the Silver Valley, the state of Idaho now owns approximately 100,000 cubic yards of previously processed ore material and smelter ash. This material is known as the PTM cell (Principal Threat Material) and in 1991 was estimated to have a

market value of approximately \$100 million. Indium, a soft silvery metal, is the primary ingredient of value in the PTM cell. Using the new hydro-metallurgical processing technology currently available, for which this legislation provides a tax incentive for, a new silver processing facility can process this material while meeting all state and federal permitting criteria.

Should the state of Idaho enter into an agreement with the developer of a new silver production facility to process the PTM material, the state of Idaho can expect revenues from the processing of this PTM material of the order of \$8 million per year for 5 years based on 1991 numbers. Total expected revenue to the state of Idaho for the PTM material would be approximately \$40 million at 1991 prices. The legislation sets up a "Mining Infrastructure Development Fund" to take 25% of the profit from processing the PTM cell to be used for the development of transportation or public works projects for the development of additional mining resources in the State.

FISCAL NOTE

Medallion Sales: First year: 100,000 to 200,000 ounces at \$3 profit per ounce: \$300,000 to \$600,000 Second year: 200,000 to 400,000 ounces at \$3 profit per ounce: \$600,000 to \$1,200,000

Personal in the Treasurer's office to administer the silver medallion and bar program and will need at most one full time equivalent. Creation of 400 to 800 mining jobs with a additional 1.32 support jobs created per 1 mining job will generate \$5,000,000 to \$10,000,000 dollars into the general fund each year.

Additional revenue to the state of Idaho for processing of the PTM cell: \$8,000,000 per year for 5 years or \$40,000,000.

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